

APA Country Commentary: India (October 31st, 2019)

Germany and India: New Roles on a New Global Stage

After Narendra Modi's landslide victory at India's mammoth election in May 2019, hopes are – once again – high that the subcontinental tiger will show some teeth and materialize on his potential. Can these hopes be fulfilled? And what role does India have to play in an increasingly challenging and unreliable geopolitical environment? How can and should the Indo-German relationship evolve in such politically and economically unpredictable times?

Vital questions in the run-up to German Chancellor Angela Merkel visit to India on November 1st for the biannual intergovernmental consultations between the two countries.

APA is taking a closer look...



The history of lasting economic connections between Europe and India dates back as far as the 19th century. In 1870, Berlin-based company Siemens & Halske managed to build the first transcontinental telegraph line from London to Calcutta, sending word from the UK to India in (back then) breathtaking 28 minutes – the first (almost-)instant messaging system of its time. In 1896, German pharmaceutical company Bayer opened its first production site in India – the first of many to come, such as Bosch, one of India's biggest employers today. And in 1956, a consortium of leading enterprises

such as ThyssenKrupp, SMS, and ABB build the Rourkela steel factory – one of Germany’s biggest development aid projects. To name just a few.

Notable activities of Indian companies in Germany, on the other hand, only started later, in the 1960s, but have also intensified noticeably over the past decades – examples being the first brownfield investment in German clock manufacturer Bifora by Hirand Gajira in 1978, or the takeover of Betapharm Pharmaceutical in 2006.

So much for history, but what about today? “Today, India regards Germany as an important partner in its quest for a new political role in the region and the world for its ambitious economic reform programs and for the development of the country’s industrial sector”, the German Federal Foreign Office writes on its homepage section about the bilateral relations between the two countries. The latter is surely, amongst other things, due to the fact that post-war Germany has managed to write an economic success story that is one of its kind, turned itself into an innovation and production hub for the world market, and also created future-oriented initiatives such as the “Plattform Industrie 4.0”.

Learning from each other

India wants to and can learn a great deal from German success models like this or, for example, the globally acknowledged system of dual vocational education and training, but also from some major challenges that Europe’s biggest economy is facing with ambitious projects such as the “Energiewende” – the energy transition from fossil-fueled power generation to renewable, sustainable energy.

Prime Minister Modi’s equally ambitious government initiatives “Make in India”, “Power for All”, “Digital India”, or “Skill India” aim in the same direction of tackling challenges emerging from climate change, globalization, and digitalization. India has defined these clear action fields and derived far-sighted, long-term strategies how to address them. India is indeed strong in long-term strategic planning – something Germany can also learn a great deal from.

However, the Modi administration still has to prove its ability to implement its strategies. And after all, the country has a lot to build on: IT has early-on invested heavily in the services sector which has turned into an export hit, especially in the areas of IT, Software, and Business Process Outsourcing (BPO). But the service sector does not provide enough jobs for the around one million underqualified people that hit India’s labor market every year – and that’s where “Make in India” kicks in to turn India into a global manufacturing hub.

So, with all this mutual learning potential after decades of successful collaboration: Where does this put Indo-German relations at the time of the 2019 governmental consultations? What do the Eagle and the Tiger need each other for at the dawn of “the Asian century”, as APA-Chairman Joe Kaeser put it? Some thoughts:

1. Promote the rule-based order in Asia-Pacific

Germany (and the EU) need India as a key player to promote and implement a rule-based order in the Asia-Pacific region in times when unilateralism and

competitive distortions are jeopardizing market-economic processes. Germany should do everything to **encourage the Indian government to re-open negotiations with Brussels on an EU-India Free Trade Agreement**. This will strengthen India's role in the region as a balancing superpower in the region. It will also open new strategic collaboration fields and business opportunities. This would also be a strong signal from the Modi administration that it indeed intends to turn the back on its protectionist past and further make its economy open and interesting to foreign investors. This can only be successful, if India further reduces bureaucracy and enforces an effective, transparent economic management.

2. Encourage free flow of data

Both India and Germany have identified digitalization as the source of growth, wealth and power for future generations – and data is the currency of a digitized world, the oil of the 21st century. In a complex and interconnected world, this gold cannot be hidden in national treasure chests – it needs to be shared, needs to flow freely (in secure environments) in order to make fuel the internet of things and make Industrie 4.0 a global, transnational success. Germany and India need to find ways to jointly encourage free flow of data in bilateral collaboration as well as in third markets where they operate and cooperate.

3. Co-create connectivity in Asia

Connectivity is one of the megatrends of the 21st century, not only since China launched its Belt and Road Initiative in 2013. India has early-on adopted Japan's Free and Open Indo-Pacific Strategy (FOIPS), and rejected China's BRI, for understandable reasons. Germany has nothing in this regard, but the EU has finally made the endeavor to create an alternative to BRI on the Eurasian continent with its "Europe-Asia Connectivity Strategy". The need for infrastructure and connectivity developments in Asia is so huge: according to the ADB, developing Asia will need to invest \$1.7 trillion per year until 2030 to maintain its growth momentum, tackle poverty, and respond to climate change. The cake is big enough for many players, and a joint, rule-based approach to connectivity between the EU and India, with Germany as a major supporter, will help those countries in dire need of infrastructure development in the region – including India.

The potential is high, for India as a country (in 2027, India will be the world's most populous country, in 2040, the youngest country in the world), and for Germany and India to take their collaboration to the next level – not only on a political level, but through the expansion of business collaboration between Indian enterprises operating in Germany (a study by Ernst & Young form showed that 74 Indian companies generated an annual revenue of 11 billion Euros in 2018 in Germany, employing over 233,000 people there) and the now over 1.800 German companies operating in India. They understand India; they offer "Made in Germany" quality made in Indian factories; they can help build up the country's haptic and digital infrastructure; and they can help train Indian workforce in skills necessary for tomorrow's world. But they also need the political will and action to make this happen in India.

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